



May 28, 2008

John Chalker, Chairman
California Transportation Commission
1120 N Street, Room 2221
Sacramento, CA 95814

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Transportation Improvement
Authority

Contra Costa County
Transportation Authority

Fresno County
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Imperial Valley
Association of Governments

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Madera County
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San Francisco County
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San Joaquin County
Council of Governments

San Mateo County
Transportation Authority

Santa Barbara County
Association of Governments

Santa Clara Valley
Transportation Authority

Tulare County
Association of Governments

RE: CMIA/SR 99 Accountability Implementation Plan – Financial
Accountability

Dear Chairman Chalker:

The Self-Help Counties Coalition has the following comments regarding Book
Item 4.6 (Tab 13) scheduled for discussion at the May Commission meeting.

General

- Should the Commission apply the Resolution G-12 and the STIP Rule of 20% into the management of the CMIA/SR 99 baseline agreement?

Additional discussion about applicability is necessary to understand implications.

- Does the Commission consider programmed CMIA/SR 99 funds to be a “fixed grant” or “not to exceed” element of the project’s funding plan?

The request made April 3, 2008 to consider these funds as “fixed grants” was made to maximize use of the CMIA and other dedicated funding sources while protecting flexible funds whenever possible. The connotation of “grant” has perhaps caused a misperception that these funds are viewed as guaranteed allocations without accountability and need to follow standard process. That was and is not our intent. “Inflexible or dedicated funds” are a better definition.

With the continuing erosion of STIP capacity, flexible funds will be the only sources available to backfill the funding gaps and keep critical state highway system projects on schedule. Ensuring that dedicated fund sources are fully utilized as allocated will enable reallocation of flexible funds to other projects.

Bond Expenditures

- Should expenditures and reimbursements of CMIA/SR 99 funds be based on actual costs incurred and paid?

Yes. Standard processes already in practice for other state funds should be used to ensure consistency and clarity.

- Should bond funds be spent sequentially or proportionally with overall funding for each component as reflected in the approved project baseline agreement? If sequentially, should the bond funds be spent first or last?

Bond funds should be spent sequentially and prior to flexible funds, as should federal earmarks and TCRP.

Corrective Plans

- Does the Commission expect project sponsors to monitor project scope, schedule and cost on a regular basis and prepare a corrective plan to address potential impacts to the delivery of the approved project that identifies all possible actions available to resolve or mitigate identified risks?

We support quarterly project reporting that demonstrates continuous and proactive monitoring of project scope, schedule and cost. We support the concept of a corrective plan. Significant questions and concerns remain regarding a currently undefined process related to corrective plans. What triggers a corrective plan? Is a corrective plan different from a baseline agreement amendment? Is there a threshold established that triggers a corrective plan? Is a corrective plan required if the overall project budget remains unchanged? What is the format for a corrective plan? What approvals are required? When are corrective plans due and how will they impact the project schedule? The Coalition urges the Commission to allow for further discussion of this matter to clarify content and process.

- Does the Commission expect to approve the corrective plan in addition to baseline amendments if the corrective action indicates the need for an amendment? Should the amendments apply to state funds only?

We recommend that corrective plans (once defined) be included in the quarterly reports for information similar to the process currently used for the Quarterly Delivery Reports. They should not be processed as items for individual approval by the Commission. We assume that some corrective plans will still result in an amendment and when that occurs, those financial amendments involving state funds would require Commission approval.

- Should the corrective plans be brought forward to the Commission for action on a quarterly basis in conjunction with the Proposition 1B Quarterly Progress Report?

Corrective Plans should be brought forward for information purposes in conjunction with the Quarterly CMIA Reports.

- Should a local board action or resolution committing the supplemental local or local-federal funding levels be provided to support a corrective plan where cost increases are funded by such sources?

We support a requirement that local boards must demonstrate local fund availability for cost increases to be funded by local sources. Adequate time should be allowed for local board processes to occur.

Cost Increases

- Does a CMIA/SR 99 project have priority over other STIP funded projects when addressing requests for increased funding?

STIP increases on CMIA projects should not be funded “off the top” of the STIP program except where required to meet SB45 grandfathered costs. If a sponsor proposes to utilize STIP funding for cost increases the sponsor must prioritize projects for allocations and reprogram as necessary.

- Should project development cost, including right of way support cost, increases be funded from anticipated construction cost savings or savings from future phases?

Reprogramming of non-CMIA fund savings from future phases to fund project development increases should be allowed.

- How should construction cost increases be addressed if bid savings do not materialize?

Construction cost increases will be funded by the project sponsor utilizing available funding sources. Adequate time should be allowed for board processes to occur. Reprogramming of STIP funds would require Commission approval.

Construction Contract Award Savings

- Should construction dollars be reprogrammed to reflect cost savings due to lower construction unit cost? If so, what is an appropriate milestone to initiate reprogramming?

This option should be considered on a case by case basis. Sponsors can and should demonstrate decision-making logic and ability to fund future unanticipated cost increases. The project should be at or nearing PS&E completion and/or right of way certification prior to this analysis taking place.

- Should reprogrammed savings be proportionally credited to all available construction funding sources, including CMIA/SR 99?

Sponsor requests to reprogram savings should include a new funding proposal for Commission consideration and should be analyzed on a case by case basis. Reprogramming of CMIA/SR 99 funds should be limited to projects in support of Corridor System

Management Plan related activities. The Commission should work with project sponsors in defining corridor limits and eligible activities.

- Should construction contract award savings be de-allocated proportionally among all funding sources available for construction, including CMIA/SR 99 funds?

Construction contract award savings should be credited proportionally after expenditure of dedicated funds.

- Should project savings be proportionally credited to the CMIA/SR 99 at project closeout?

Project savings should be proportionally credited after expenditure of dedicated funds at project close-out.

- How will accumulated CMIA/SR 99 savings be used? To initiate new projects? To support Corridor System Management Plan related activities?

Funds should remain in a project until project close out. Further discussion is warranted as to how savings on CMIA/SR 99 projects should be managed. To address this, the Coalition is requesting the opportunity to meet with Commission and Department staff and develop a recommendation.

We look forward to a detailed discussion of these issues at the Commission meeting and offer our continuing coordination with your staff as they develop the supplement to the Accountability Implementation Plan. We assure you that we support an accountability plan and process that results in efficient and effective project management and delivery of these important projects while at the same time maintaining a high level of transparency.

As the Commission and its partners move forward in actively managing the delivery of CMIA/SR 99 projects, the Coalition's goal will be to assist in maximizing the benefits of the local funds included on the CMIA/SR 99 projects and ensuring flexible funds are put to the highest and best use. We appreciate your consideration.

Sincerely,

Suzanne Smith
Chair, Self-Help Counties Coalition

Cc: Will Kempton, Caltrans
Self Help Counties Coalition Members